

# Teacher Lesson Plan

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Theme 3: Fairness in Taxes  
Lesson 2: Regressive Taxes

## Time Frame

One to three class periods

## Curriculum Area(s)

- Civics/Government
- Economics
- Technology

## Purpose

To help students understand that regressive taxes can have different effects on different income groups

## Objectives

Students will be able to

- define and give an example of a regressive tax.
- explain how a regressive tax takes a larger share of income from low-income groups than from high-income groups.

## Materials

### *Online*

[Student Lesson—Regressive Taxes](#)

[Activity 1: Regressive Taxes and You](#)

[Activity 2: Sales Tax Holidays](#)

[Activity 3: Tax Facts Crossword](#)

[Assessment—Regressive Taxes](#)

[Assessment Solutions—Regressive Taxes](#)

### *Print (PDF)*

[Info Sheet 1—How Regressive Taxes Affect Different Income Levels](#)

[Info Sheet 2—Sales Tax Holidays](#)

[Worksheet—Applying Regressive Taxes](#)

[Worksheet Solutions—Applying Regressive Taxes](#)

[Assessment—Regressive Taxes](#)

[Assessment Solutions—Regressive Taxes](#)

[Complete Lesson Pack](#)

### *Web Links*

[Texas Sales Tax Holiday](#)

[http://www.window.state.tx.us/taxinfo/taxpubs/tx98\\_490/tx98\\_490.html](http://www.window.state.tx.us/taxinfo/taxpubs/tx98_490/tx98_490.html)

[UK's TV licensing](http://www.tvlicensing.co.uk) <http://www.tvlicensing.co.uk>

[IRS Tax Interactive](http://www.irs.gov/taxi) <http://www.irs.gov/taxi>

## Background

A **regressive tax** may seem to be an equitable form of taxation because everyone, regardless of income level, pays the same fixed amount. In reality, however, such a tax causes lower-income groups to pay a greater proportion of their income than higher-income groups pay. Though true regressive taxes are not used as income taxes, they are used in the following instances:

- As taxes on tobacco or alcohol, sometimes called “sin” taxes because they also are used to discourage people from consuming those items
- As gasoline or motor fuel taxes
- As taxes on luxury items or services, such as jewelry, perfume, or travel

Designed to fund a public service, **user fees** are a type of excise tax that comes in the form of a license or supplemental charge. This method of taxation can be considered regressive because, even though the fee or charge is the same for all income groups, a larger portion of income is taken from those with lower incomes than from those with higher incomes.

Examples of user fees are provided below.

- Fees for business or professional licenses
- Fees for hunting and fishing licenses
- Tolls for roads or bridges
- Fees for parking
- Fees for entrance to museums, parks, and monuments

## Key Terms

**regressive tax**—A tax that takes a larger percentage of income from low-income groups than from high-income groups.

**user fees**—An excise tax, often in the form of a license or supplemental charge, levied to fund a public service.

## Opening the Lesson

Ask students:

- Is a tax in which everyone is charged the same amount of money fair?

**Accept all reasonable answers.**

Present the information orally from the background information above. Draw students’ attention to the fact that user fees apply only to those who use the goods or services. For example, only those who hunt need a hunting license, and only hunters would pay this type of tax.

## Developing the Lesson

Print [Info Sheet 1—How Regressive Taxes Affect Different Income Levels](#) and distribute it to students. Tell students that they represent all the taxpayers of a country called Regressia. In Regressia, all people pay the same tax. Write \$10,000 on the board, and assign one-third of the class that amount as an average income. Then write \$50,000 on the board, and tell another third of the class that they make about \$50,000 a year. Finally, write \$100,000 on the board, and tell the third group that they represent the country’s higher-income taxpayers. Have each group tell whether they are satisfied with the taxes shown on the Info Sheet. Ask students:

- Do they feel that their group is being taxed fairly?
- How do the taxes affect their personal lives?

- Their ability to pay for housing, food, and luxuries?
- Their ability to save?
- How much are they left to live on?
- Which group is the least satisfied with the regressive taxes?

### ***Online Activities***

Direct students to [Student Lesson—Regressive Taxes](#).

Have students complete one or more of the following activities:

- [Activity 1: Regressive Taxes and You](#)—Show how a \$2,000 tax affects the incomes of five citizens in Regressia.
- [Activity 2: Sales Tax Holidays](#)—Learn how Texas and Pennsylvania make their sales tax less regressive.
- [Activity 3: Tax Facts Crossword](#)—Use the clues to solve this tax crossword.

### ***Print Activity***

Print [Worksheet—Applying Regressive Taxes](#) and distribute it to students.

[Worksheet Solutions—Applying Regressive Taxes](#)

### ***Classroom Activity***

Explain to students that sales taxes are considered regressive because they take a larger percentage of income from low-income taxpayers than from high-income taxpayers. To make such taxes less regressive, many states exempt basic necessities such as food from the sales tax. Some states have “sales tax holidays” in which no state taxes are charged for a certain period of time.

Have students read [Info Sheet 2—Sales Tax Holidays](#), and then ask the following questions:

1. Can waiving the sales tax on personal computers in Pennsylvania really allow more “children and families to embrace technology”?

**Answers will vary.**

2. Why would legislators in Texas propose a sales tax vacation?

**Waiving the sales tax provides relief to consumers. This would encourage sales activity and would also help boost the economy.**

3. How would consumers be affected if this type of tax break were permanent?

**Answers will vary. Some students may argue that eliminating sales tax would encourage consumers to buy more, which helps to boost the economy. At the same time, this would leave more money in taxpayers’ pockets. Others might argue that services funded by sales tax would be eliminated or would be offered for a price higher than many could afford.**

Organize students into groups to debate whether these tax holidays should be offered only to people below a certain income level.

## Concluding the Lesson

Ask students:

- Why aren't regressive taxes a good way to tax income?

**Student answers will vary.**

Discuss whether the use of regressive taxes or user fees are fair in other situations, such as:

- parking fees
- cigarette taxes
- tolls
- luxury taxes

### *Online Assessment*

Direct students to complete [Assessment—Regressive Taxes](#).

[Assessment Solutions—Regressive Taxes](#)

### *Print Assessment*

Print [Assessment—Regressive Taxes](#), and have students complete it on paper.

[Assessment Solutions—Regressive Taxes](#)

### *Links*

Go to [Theme 3, Lesson 5](#) to compare progressive, regressive, and proportional taxes.

Visit [Theme 2, Lesson 1](#) for a historical view of regressive taxes.